



State of Idaho

Legislative Services Office

Special Report

A communication to the Joint Finance-Appropriations Committee

SPECIAL DISTRICTS IN IDAHO

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Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

SPECIAL DISTRICTS IN IDAHO

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SUMMARY

PURPOSE OF THE REVIEW

Special districts are established to meet a need or service that is not currently provided within the traditional government hierarchy, but is vital to the citizenry of the area. Types of services provided through special districts may be fire districts for rural emergency protection, library districts to provide additional educational opportunities, or urban renewal districts to revitalize communities. The variety of districts is endless, and they all generally have individual authorizing legislation. Additionally, the funding can vary greatly from district to district. Some are considered taxing districts and receive a portion of property taxes, while others are funded through assessments and fees.

Special districts are included in the broad definition of local government entities. Idaho Code, Section 67-450B provides minimum audit requirements for all local governmental entities, including cities, counties, authorities, and districts organized as separate legal and reporting entities under Idaho law. This also includes councils, commissions, and boards as appointed or elected and charged with fiscal management responsibilities of the local government entity. As part of these audit requirements, Legislative Services Office, Audits Division is the official repository for required audit reports.

As the statutory repository for audit reports from these entities, we regularly receive questions from Idahoans about districts of which they are patrons, and they are often frustrated at the lack of information available. We are also often frustrated as there is no clear reporting or oversight function to identify all special districts, track spending levels, and identify those that should be submitting audit reports. In an era of increased transparency and access to financial information, these special districts have remained out of sight, but not out of mind for many. As a result, we began this review with three objectives:

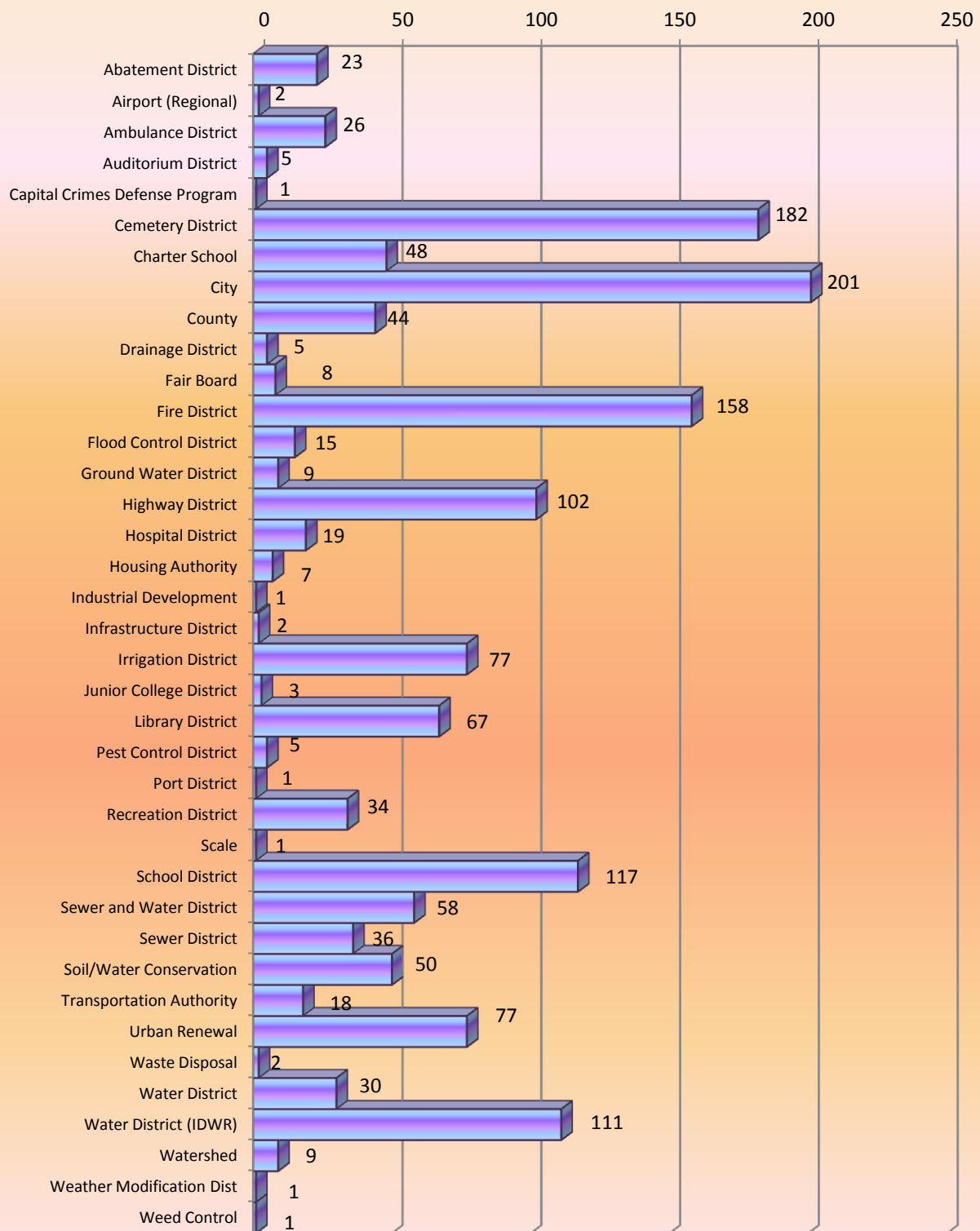
1. Identify how many special districts there are in Idaho.
2. Determine how special districts are monitored, both operationally and financially.
3. Determine compliance with Idaho Code Section 67-450B.

This report is a public document, and a copy is available by calling 208-334-4832 or by visiting our website: <http://www.legislature.idaho.gov/audit/auditsummaries.htm>.

APPROACH

We utilized Idaho statutes to identify authorized special district types and any oversight function that might be built into the legislation. We identified 38 different types of districts.

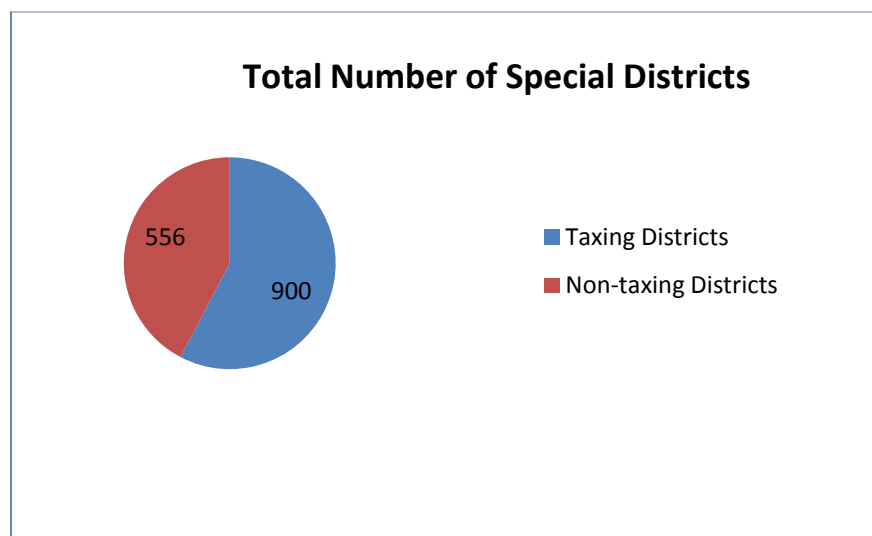
Special Districts Identified by Type



Two databases supplied information about the variety of districts, and some budgetary information. The Idaho State Tax Commission maintains budget data on all districts that are authorized to receive a portion of property tax. We consider districts in this category taxing districts. Districts included in the non-taxing district category may utilize some combination of funding including fees, assessments, and possibly local taxes, but are not required to submit budgetary information to the Idaho State Tax Commission.

Additionally, Legislative Services maintains a database of local government audits received. This database includes several different types of entities, including both taxing and non-taxing districts. Neither database is all inclusive as there are hundreds of authorized local government entities that receive funding through fees or assessments that have no requirement to provide the Idaho State Tax Commission, or any other State agency, financial data that could be used to determine if they meet audit requirements.

We identified 1,556 districts through our records and the Idaho State Tax Commission's records. We had limited success when contacting county government offices to obtain all inclusive lists of special districts within their boundaries. In most authorizing legislation, the county government is designated as the oversight agency for the special district. We found that some counties did not know what we were requesting, did not have a comprehensive list of districts within their jurisdiction, or did not have financial information available.



FINDINGS AND RECOMMENDATIONS

There are three findings and recommendations contained in this report.

Finding 1 – No process exists, either in statute or policy, to identify and track special districts to determine compliance with Idaho statutes.

Recommendation: A central registry should be established to provide a comprehensive list of all special districts authorized to operate within the State of Idaho. This registry should include contact information to ensure adequate communication of the requirements on an ongoing basis. Districts should be required to recertify information on an annual basis.

Finding 2 – The current statute does not require local governments or special districts to submit financial information, such as approved budgets, to determine compliance with audit requirements.

Recommendation: All local governments and special districts should be required to submit an approved budget to the Legislative Services Office as part of compliance with the audit requirements.

Finding 3 – The statutory requirement that special districts submit an audit to the Legislative Services Office when certain financial thresholds are met has no enforcement mechanism for failure to comply

Recommendation: The statute should be amended to include a notification and enforcement process for noncompliance that would include a penalty, such as withholding of funds.

The complete findings and recommendations are detailed on page 8 of this report.

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BACKGROUND

Special districts provide a vital resource to Idahoans. They allow local citizens to determine what services they need, and how they are going to pay for them. Often times, drilling down to the most local level to provide and pay for services can be the best way to achieve satisfaction. In an effort to ensure sound fiscal management of these entities, Idaho Code Section 67-450B establishes the Legislative Services Office as the repository for all local government and special district audits. This statute also provides guidance for these entities to determine if they are required to obtain and submit an audit.

The Audits Division undertook this review primarily because we are concerned that we are not receiving all of the audits that should be available, and that it might be difficult to even identify how many districts are operating within the State. This becomes even more apparent when a request for information comes to us from an Idahoan about a particular district. Citizens are often frustrated at the lack of information available, and even the difficulty in finding who to ask. We are equally frustrated that we cannot help them because we have not received any information from the districts.

We began the project with three specific objectives.

1. Identify how many special districts there are in Idaho.
2. Determine how special districts are monitored, both operationally and financially.
3. Determine compliance with Idaho statutes.

The report that follows explains the approach we took to address these objectives, what we found, and recommendations that are intended to improve transparency and access to financial information at all levels of government.

APPROACH

Objective 1—Identify how many special districts there are in Idaho.

To begin to identify the number of local government entities and special districts operating in Idaho, we contacted the 44 county offices and requested a listing of all special districts operating within the county. We had limited success when contacting county government offices to obtain all inclusive lists of special districts within their boundaries. In most authorizing legislation, the county government is designated as the oversight agency for the special district. We found some counties did not know what we were requesting, did not have a comprehensive list of districts within their jurisdiction, or did not have financial information available.

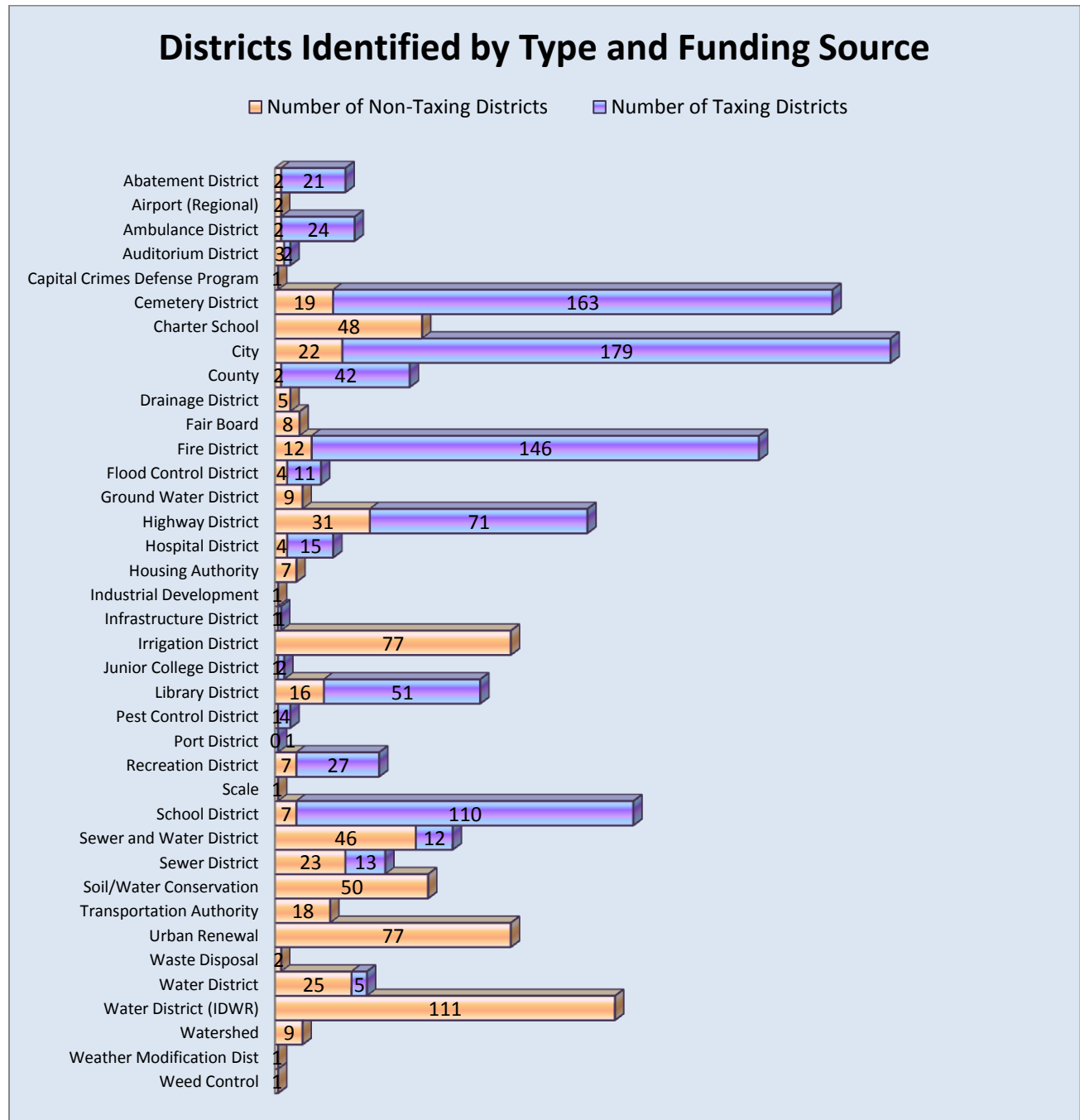
The next step taken was to review the statutory authority establishing the districts. The schedule contained in Appendix A identifies legislation supporting the variety of districts authorized to operate within the State. This data revealed that there are 38 different types of districts authorized in statute.

Further review identified two basic types of districts: 1) those that receive funding through property taxes and 2) those that receive funding through fees, assessments, or other local taxes. Two databases supplied information about the variety of districts and some budgetary information. The Idaho State Tax Commission maintains budget data on all districts that are authorized to receive a portion of property tax. We consider districts in this category taxing districts. Districts included in the non-taxing district category may utilize some combination of funding including fees, assessments, and possibly local taxes, but are not required to submit budgetary information to the Idaho State Tax Commission.

Legislative Services Audits Division maintains a database of local government audits received. This database includes several different types of entities, including both taxing and non-taxing districts. This database, along with information from counties, helped to identify non-taxing districts.

Neither database is all inclusive. We feel confident that we have gathered all districts in certain types, such as school districts, cities, and counties, because they come from a known population. However, what is more difficult to quantify is the number of districts in the non-taxing type. There is no requirement to report any financial data to the Idaho State Tax Commission or any other State agency and there is no way to determine compliance with audit requirements. Additionally, legislation authorizing districts does not require any centralized registry or reporting mechanism that would unequivocally identify all districts, oversight body, and spending levels.

We identified 1,556 special districts. These districts include local governments, such as cities and counties, as well as school districts. That number is further categorized as 900 taxing districts and 656 non-taxing districts. The chart below illustrates the breakdown of districts by type of district and whether they are a taxing or non-taxing entity. **Taxing districts operating within the State of Idaho reported approved budgets for fiscal year 2012 totaling \$2,815,084,339.**

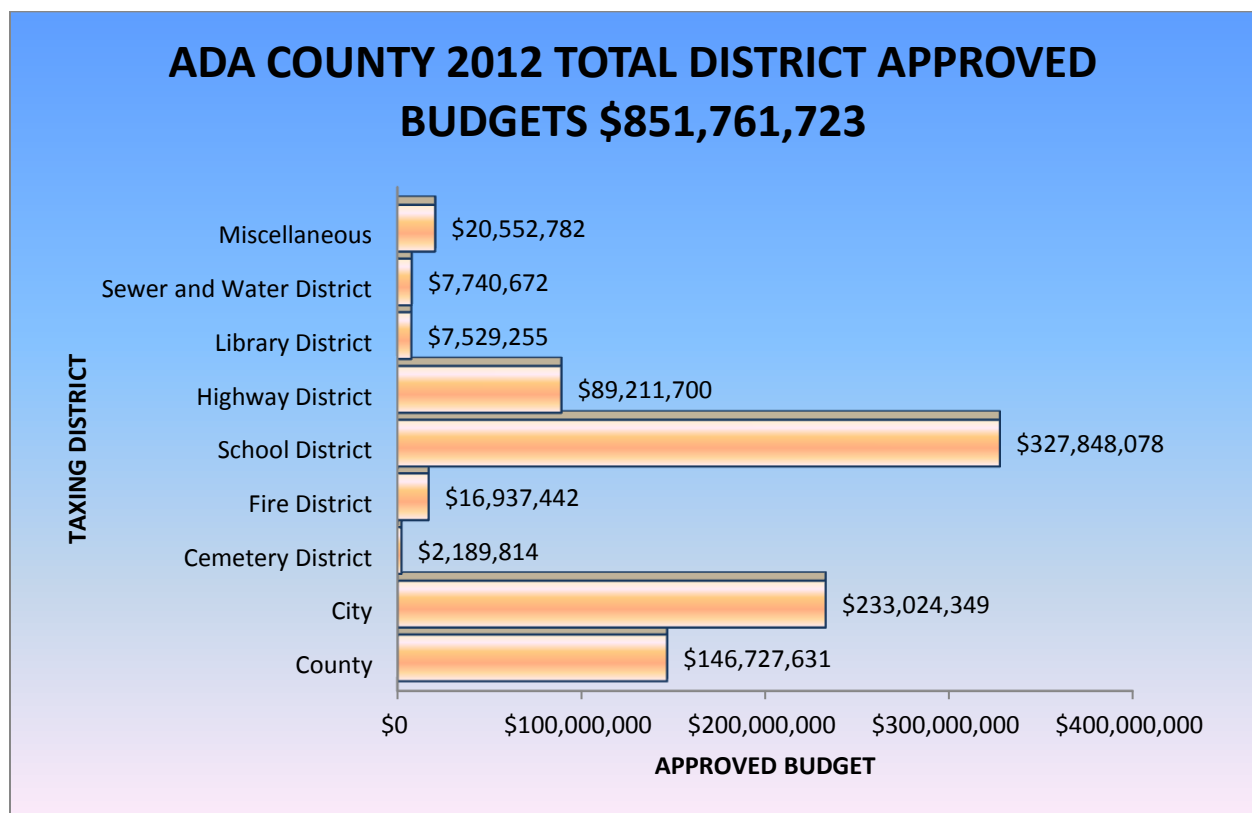


Objective 2—Determine how special districts are monitored, both operationally and financially.

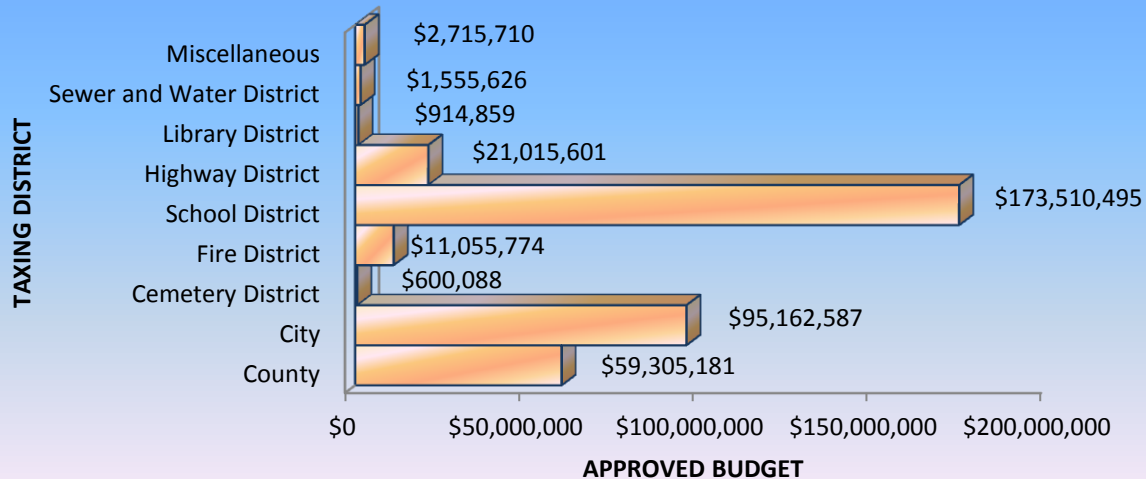
As we gathered data to determine the number of districts for Objective 1, we quickly found that determining financial and operating oversight was also going to be difficult. Most authorizing legislation identifies counties as the oversight entity for the district. However, as we contacted counties, we encountered a broad spectrum of responses, from very good reports identifying all districts and budgets within the county boundaries to no response at all.

Appendix B provides a listing of all districts identified by county. The chart includes more than the total districts identified at 1,556 because some districts are reported in multiple counties. We reported these cross-over districts in any county they touch because, in theory, those counties would have some oversight responsibility. Additionally, 325 districts included in Appendix B are classified as county unknown. Many are charter schools that did not have a county designation. The remaining unclassified districts were newly identified through this review, and we did not have enough information to properly categorize.

The two charts below are included to provide a picture of the dollars expended in local government and special districts by county. The two largest counties are shown here, but similar charts are included in Appendix C for the seven largest counties in the State. Ada County includes 41 taxing districts out of a total of 66 districts within its boundaries. We identified 61 total districts in Canyon County with 54 taxing districts included in the chart.



CANYON COUNTY 2012 TOTAL DISTRICT APPROVED BUDGETS \$365,835,921



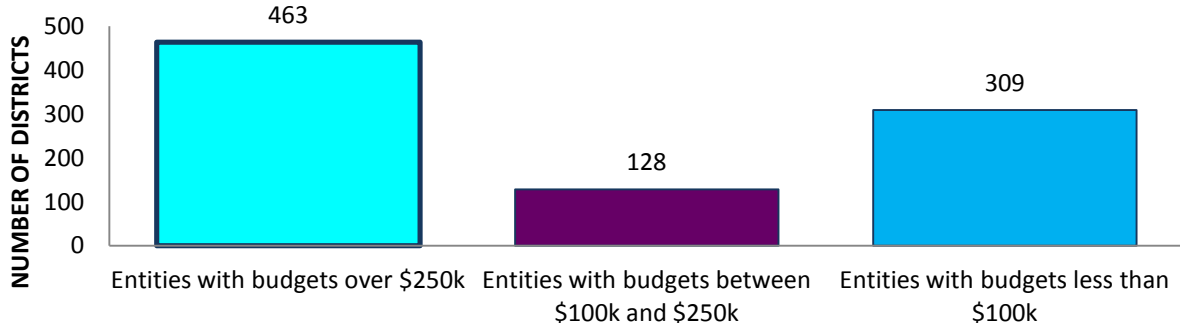
Objective 3—Determine compliance with Idaho statutes.

Our final objective was to determine the level of compliance attained by these special districts with the requirements of Idaho Code Section 67-450B which provides a tiered approach to audit requirements, and submission of required audits to the Legislative Services Office.

The tiered requirements from this statute are as follows:

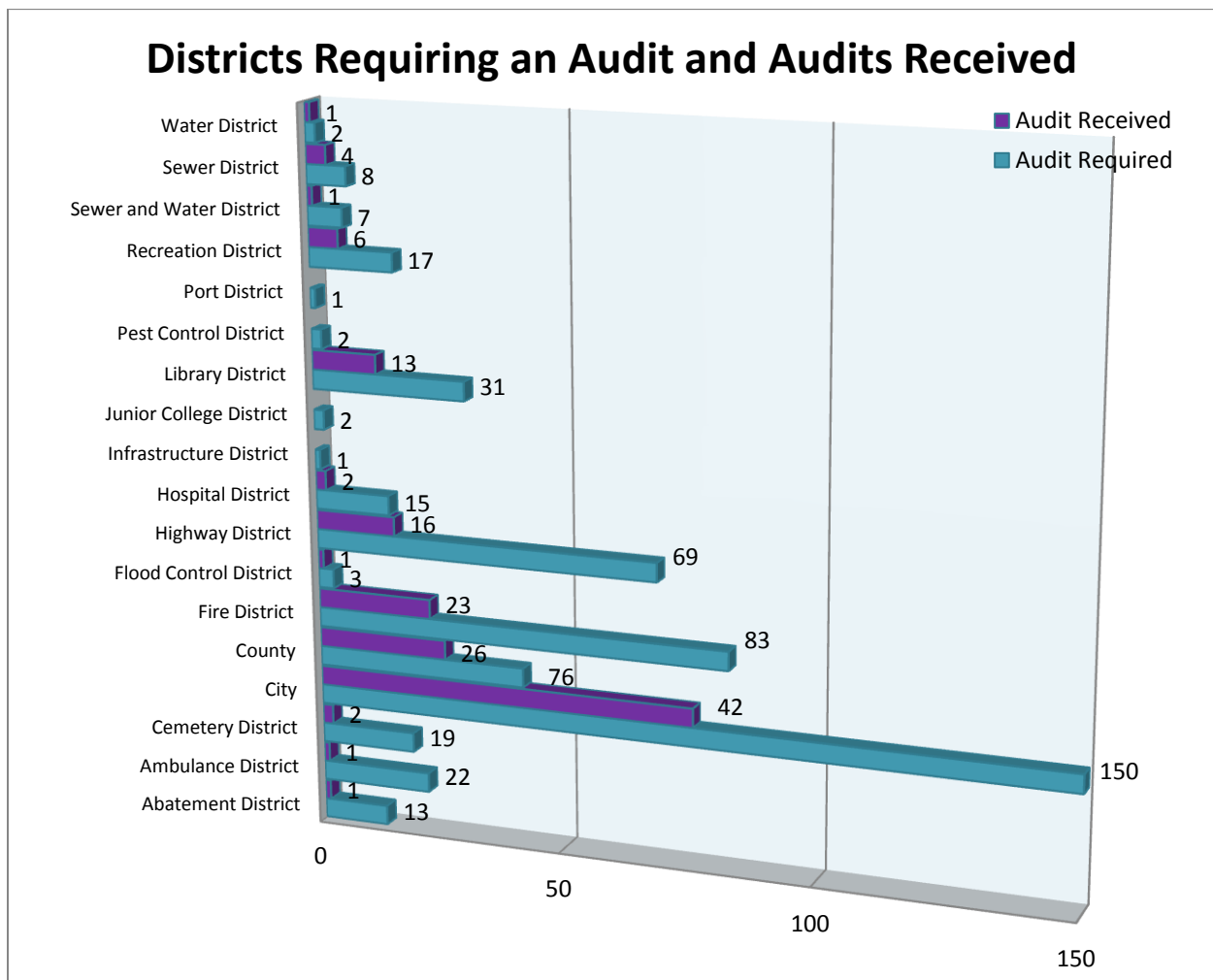
- Expenditures under \$100,000 do not require an audit
- Expenditures between \$100,000 and \$250,000 require a biennial audit
- Expenditures in excess of \$250,000 require an annual audit

Taxing Districts Meeting Audit Requirements

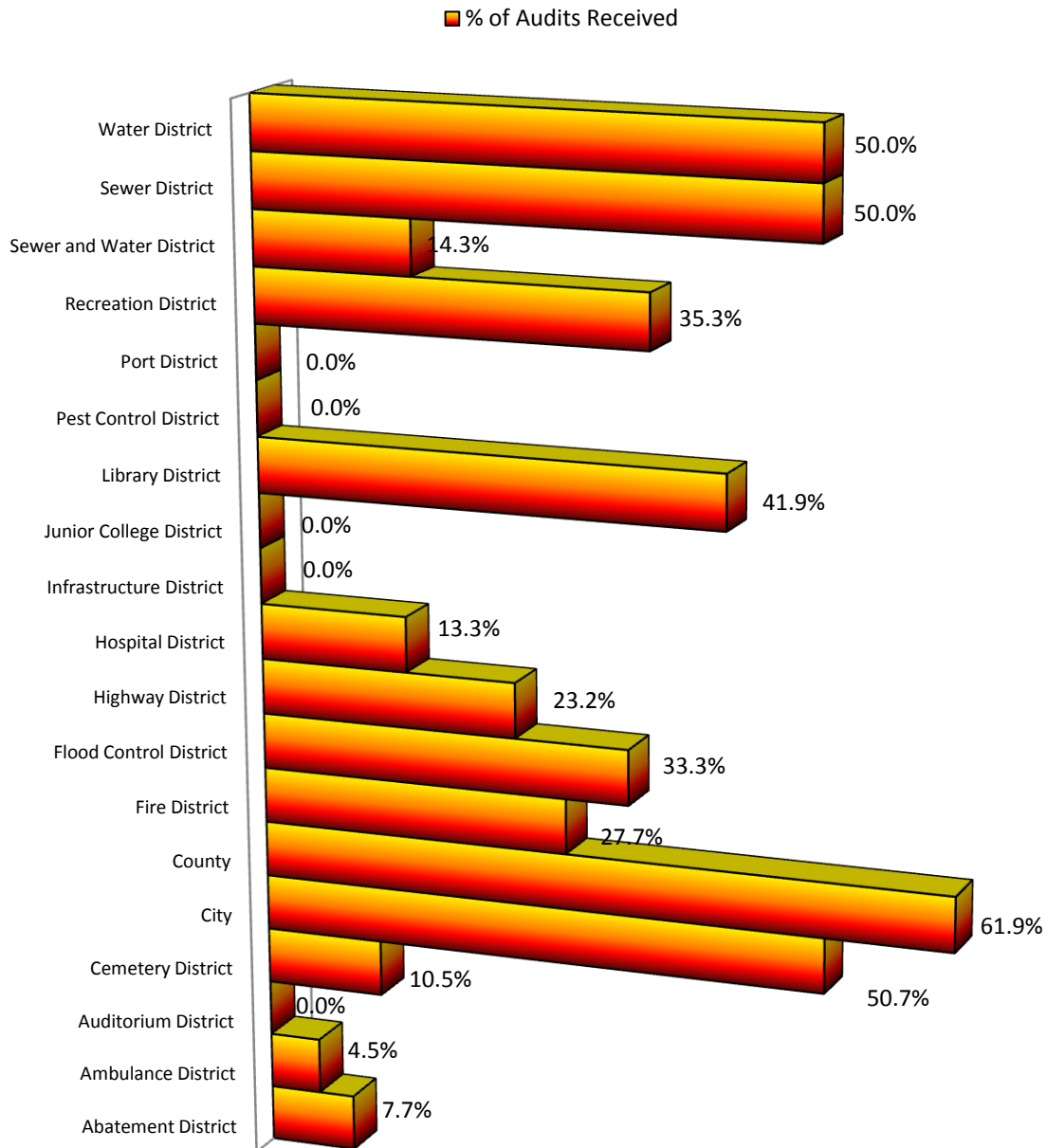


We evaluated only the 900 districts that utilize property taxes as part of their funding because we had access to budget data provided by the Idaho State Tax Commission. That data enabled us to determine which districts met the thresholds identified in the statute requiring an audit.

Based on this analysis, 591 taxing districts should have submitted at least a biennial audit to the Legislative Services Office. Of those 591 taxing districts meeting audit requirements, 104 are school districts. Those entities are required to submit an annual audit report to the Department of Education under Idaho Code, Section 33-701. The statute provides a deadline for submission of the audit report and a penalty for noncompliance that includes withholding public school distributions. **School districts have 100% compliance with audit requirements.** However, when reviewing the remaining 487 entities identified, we found very poor compliance rates, as indicated in the table below. **The average compliance for the remaining 487 entities was approximately 35.5%.** It is important to remember that there are an additional 556 districts identified as non-taxing that we did not have adequate financial information to determine compliance with the audit requirements.



Level of Compliance with Audit Requirements



Based on this evaluation, we identified three findings and recommendations that will increase financial accountability and transparency within the special districts by improving education and compliance. These findings and recommendations are included in the section that follows.

FINDINGS AND RECOMMENDATIONS

Finding 1 – No process exists, either in statute or policy, to identify and track special districts to determine compliance with Idaho statutes.

Criteria: Idaho Code Section 67-450B requires local government entities and special districts meeting specified tiered levels of expenditures to have and submit an audit to the Legislative Services Office.

Condition: As we tried to determine the level of compliance with these requirements, we found that there was no central source to identify all local governments and special districts. Generally, the county is the oversight entity for special districts residing within their boundaries, but there was no consistent documentation available that would identify all special districts. Some counties had very good lists, others had partial lists or some financial information, and four counties did not respond at all to our request for information. The first step in ensuring compliance with this audit requirement is establishing how many districts there are, and what level of expenditures they have each year.

We identified 1,556 districts, and separated them into 900 taxing districts and 556 non-taxing districts. There are most likely additional districts operating within the State that we were unable to identify. Additionally, we were not able to identify spending levels for the non-taxing districts because we did not have access to adequate financial information.

Cause: No central registry exists that requires special districts to register with the counties or with Legislative Services, providing contact, operational, and financial information.

Effect: Without a central registry, it is difficult to identify all districts operating within the State, and even more difficult to determine if they should be submitting an audit. Additionally, it is difficult to communicate the audit requirements and monitor compliance with the lack of information.

Recommendation: A central registry should be established to provide a comprehensive list of all special districts authorized to operate within the State of Idaho. This registry should include contact information to ensure adequate communication of the requirements on an ongoing basis. Districts should be required to recertify information on an annual basis.

Finding 2 – The current statute does not require local governments or special districts to submit financial information, such as approved budgets, to determine compliance with audit requirements.

Criteria: Idaho Code Section 67-450B requires local governments and special districts meeting specific tiered levels of expenditures to obtain and submit an audit to the Legislative Services Office.

Condition: The statute does not require local governments and special districts to submit budgets or financial statements to an oversight entity to determine if an audit is required. Taxing districts receiving a distribution of property tax from the Idaho State Tax Commission are required to submit approved budgets to the Commission, but this information is not evaluated for compliance with audit requirements.

Additionally, non-taxing districts are not required to submit any financial data to any State authority. As a result, we were unable to determine the level of compliance reached.

Cause: Local governments and special districts are not required to submit approved budgets or other financial data that would support the appropriate level of audit required.

Effect: The Legislative Services Office cannot communicate and educate the entities about the requirements nor can we determine compliance because of the lack of access to financial data.

Recommendation: All local governments and special districts should be required to submit an approved budget to the Legislative Services Office as part of compliance with the audit requirements.

Finding 3 – The statutory requirement that special districts submit an audit to the Legislative Services Office when certain financial thresholds are met has no enforcement mechanism for failure to comply.

Criteria: Idaho Code Section 67-450B requires local governments and special districts meeting specific tiered levels of expenditures to have and submit an audit to the Legislative Services Office.

Condition: Our evaluation identified 566 non-taxing districts that are not required to submit any financial information to assist in determining compliance with statutorily required audits. We were unable to determine compliance for these entities.

We evaluated 900 taxing districts for compliance with audit requirements. We excluded 309 entities that did not meet the threshold requiring an audit. Additionally, we excluded 104 school districts which operate under additional statutory requirements in Idaho Code Section 33-701 that require audit submission to the Department of Education. School districts not meeting this requirement will have funds withheld. As a result, there is 100% compliance with this audit requirement. This left 487 districts requiring a biennial or annual audit. The level of compliance for those entities was 35.5%.

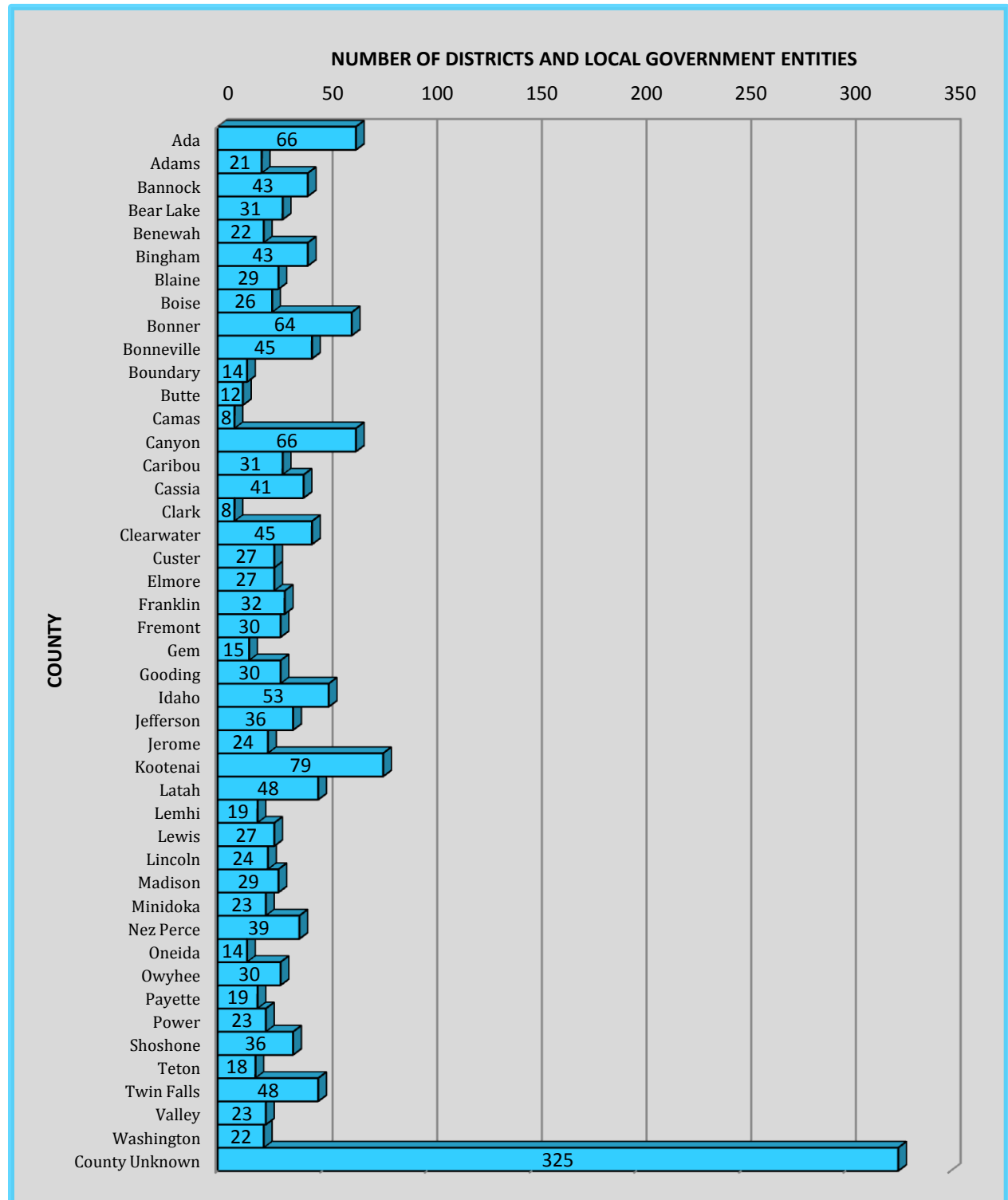
Cause: Several factors contribute to the low rate of compliance with statutory requirements to submit audits to the Legislative Services Office. There is currently no registration requirement for districts. Because there is no process to identify the districts, communicating the audit requirements and monitoring compliance is very difficult. Finally, without an enforcement mechanism, there is no penalty for failure to comply.

Recommendation: The statute should be amended to include a notification and enforcement process for noncompliance that would include a penalty, such as withholding of funds.

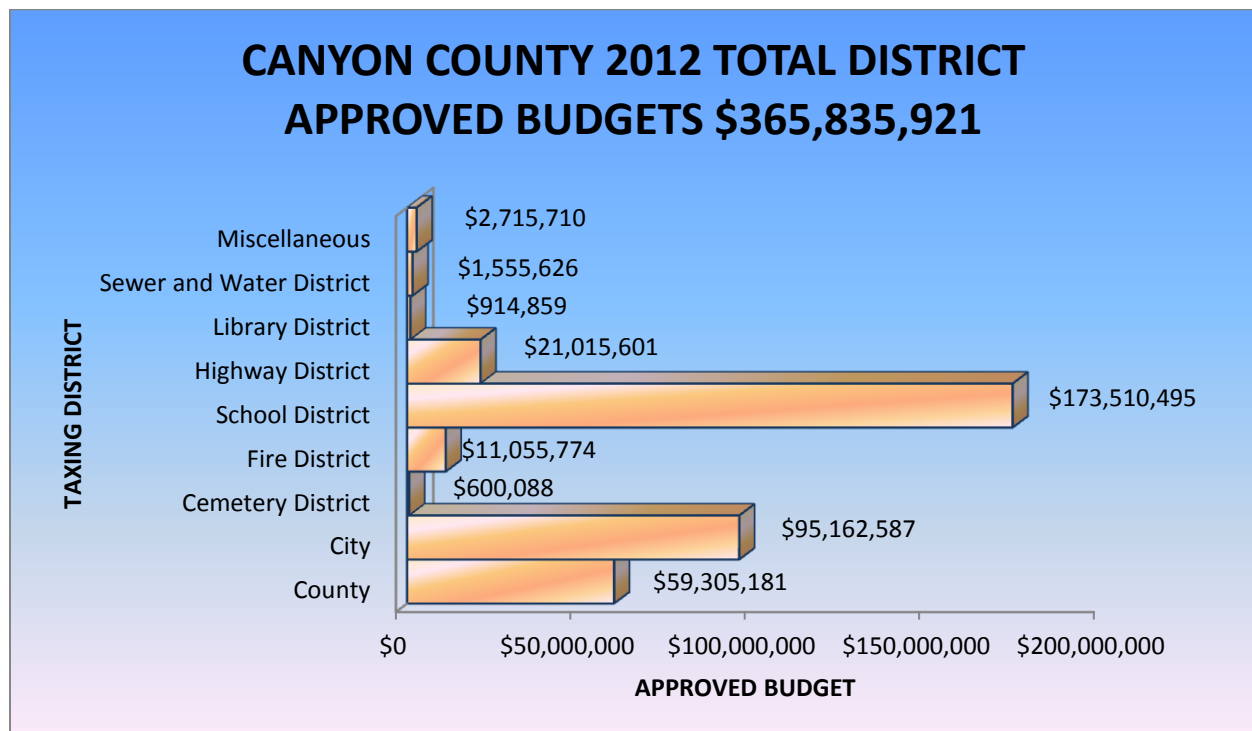
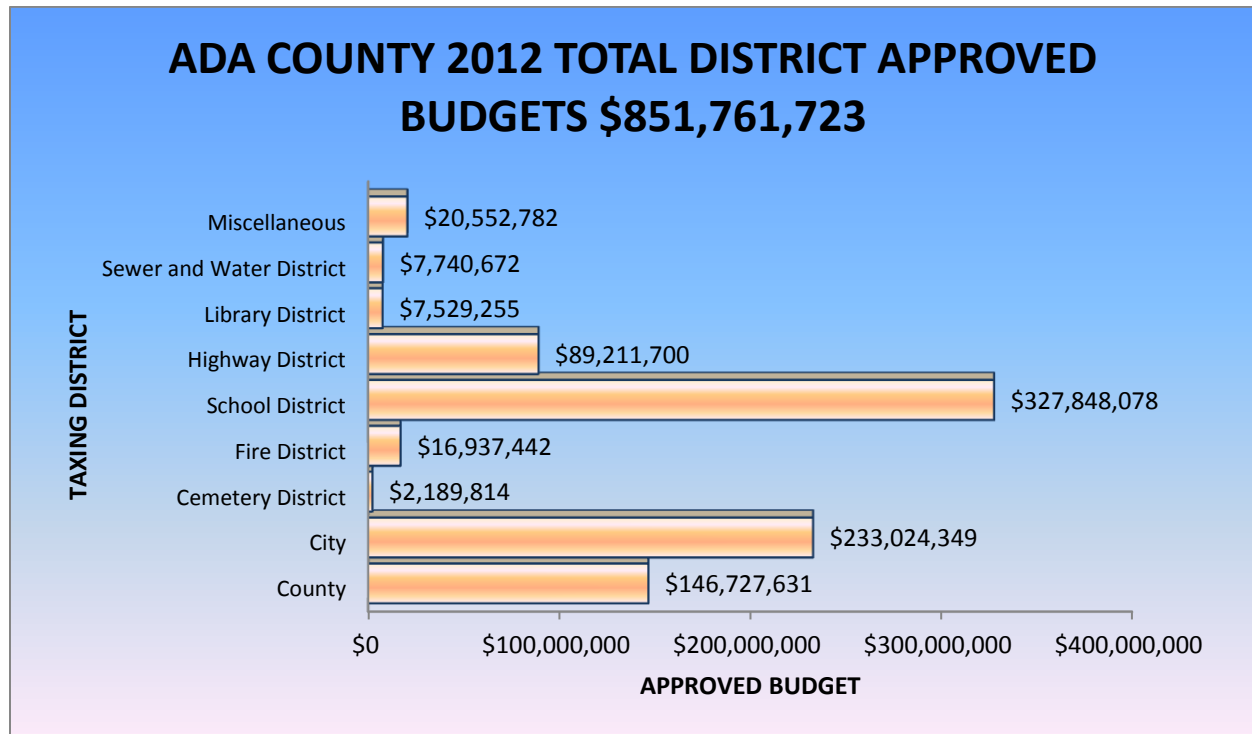
APPENDIX A: AUTHORIZING LEGISLATION

Idaho Code Section	District Type	Oversight	Taxing Authority
21-805	Airport (Regional)	ID Dept of Transportation	N
31-3908	Ambulance	County Commissioners	Y
67-4907	Auditorium	District Court	Y
19-863A	Capital Crimes Defense Program	County Commissioners	N
27-108	Cemetery	County Commissioners	Y
50-102	City	County Commissioners	Y
50-3103	Community Infrastructure	City or County Governing Body	Y
33-2104	Community College	County Commissioners	Y
31-101	County	Legislature	Y
42-2905	Drainage	District Court	Y
25-2604	Pest Extermination	County Commissioners	Y
22-303	Fair	County Commissioners	N
31-1407	Fire	County Commissioners	Y
42-3105	Flood Control	ID Dept of Water Resources	Y
25-2404	Herd	County Commissioners	Y
40-601	Highway	County Commissioners	Y
39-1325	Hospital	County Commissioners	Y
43-114	Irrigation	County Commissioners	N
42-4405	Levee	District Court	Y
33-2703	Library	County Commissioners	Y
39-2802	Abatement	County Commissioners	Y
31-4702	Museum	County Commissioners	N
70-1108	Port	County Commissioners	Y
31-4304	Recreation	County Commissioners	Y
33-Ch 3	School	ID State Board of Education	Y
31-4903	Solid Waste	County Commissioners	N
50-2006	Urban Renewal	Municipalities	N
42-3202	Water and/or Sewer	District Court	Y
42-3705	Watershed	ID Soil Conservation Commission	Y
22-4301	Weather Modification	County Commissioners	Y
22-Ch 24	Weed Control	County Commissioners	N
22-2719	Conservation	State Soil and Water Con. Comm	Y
42-5202	Ground Water	County	Y
50-1905	Housing Authority	Municipalities (Cities)	N
40-2105	Transit	City / County	N

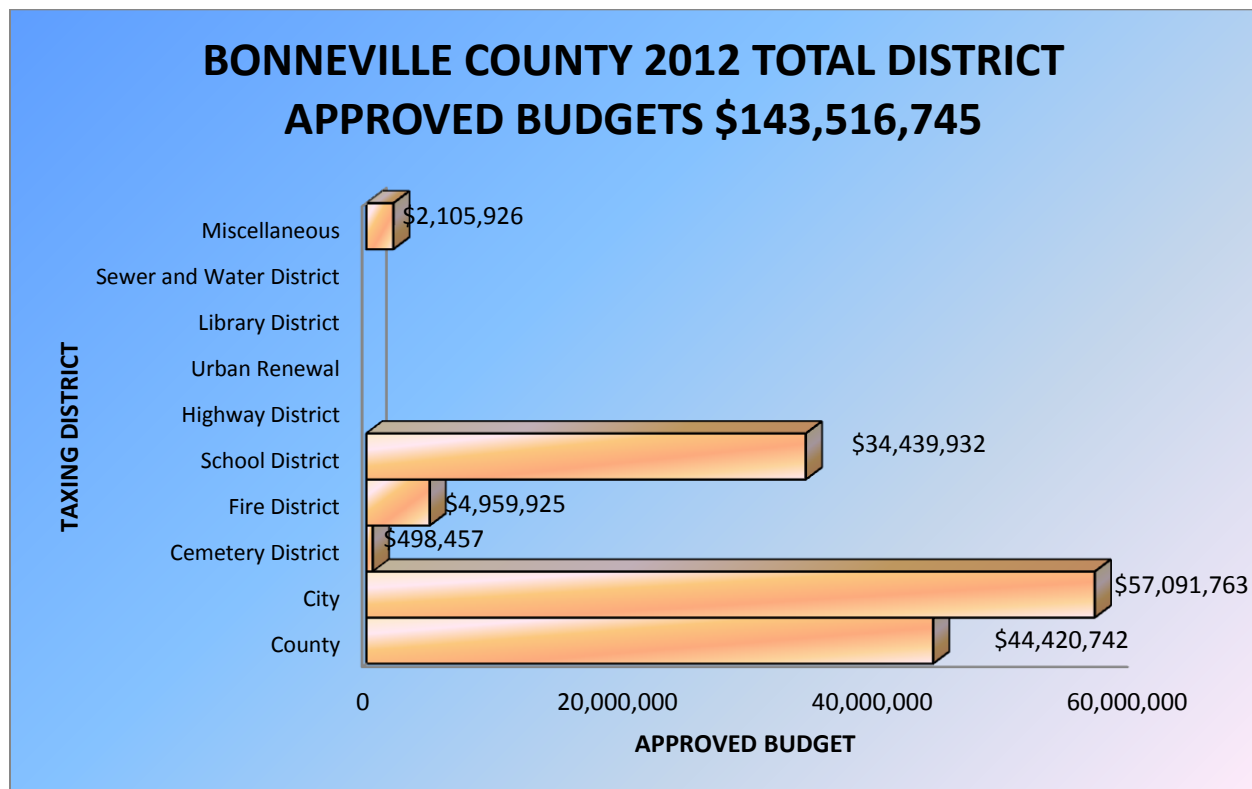
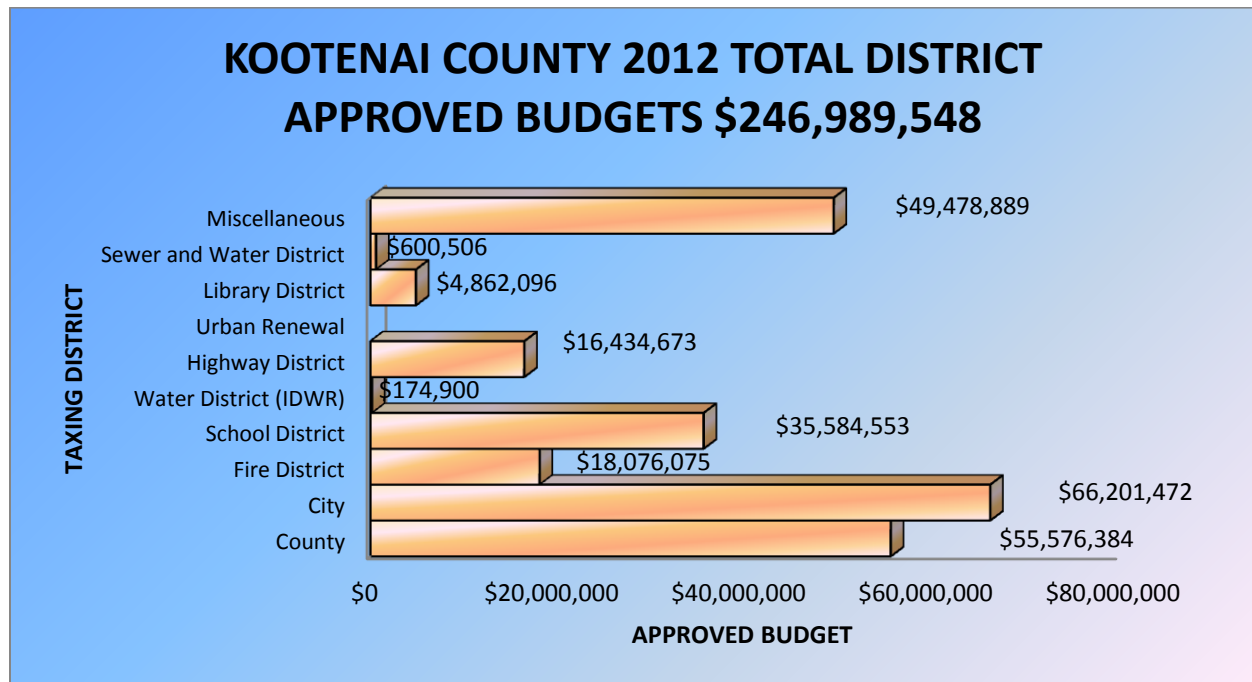
APPENDIX B: DISTRICTS BY COUNTY



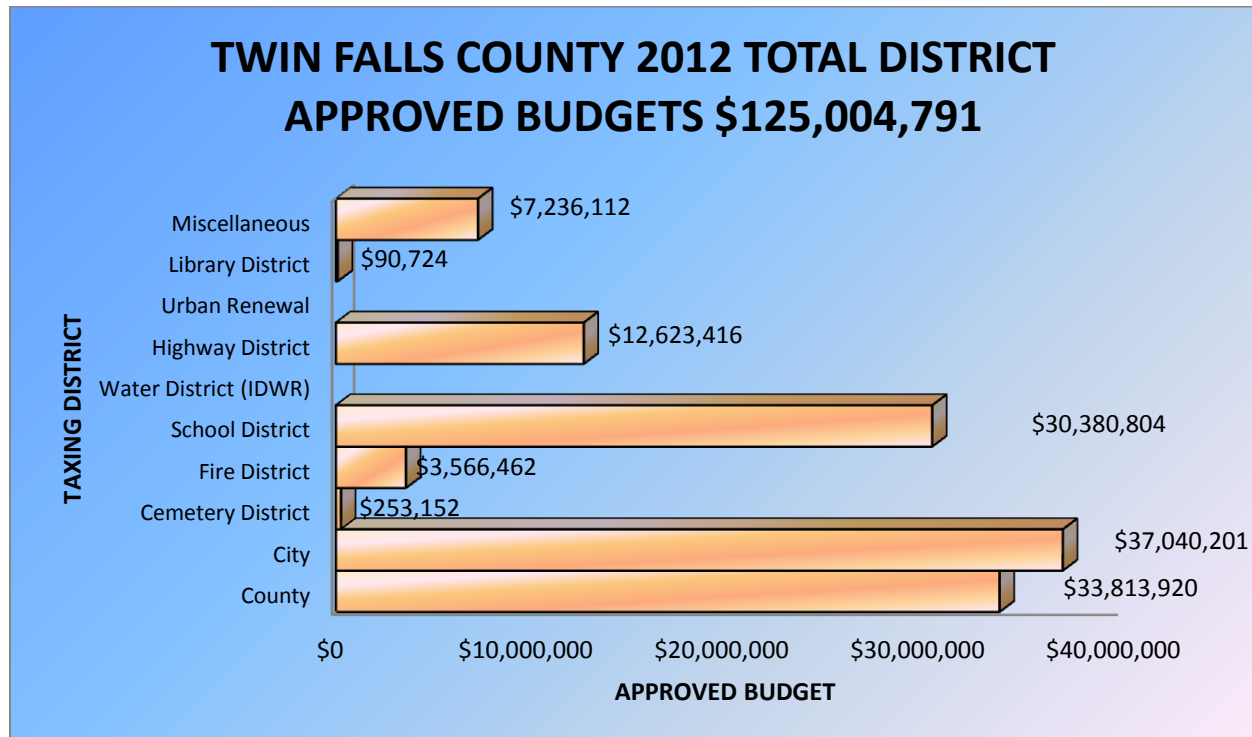
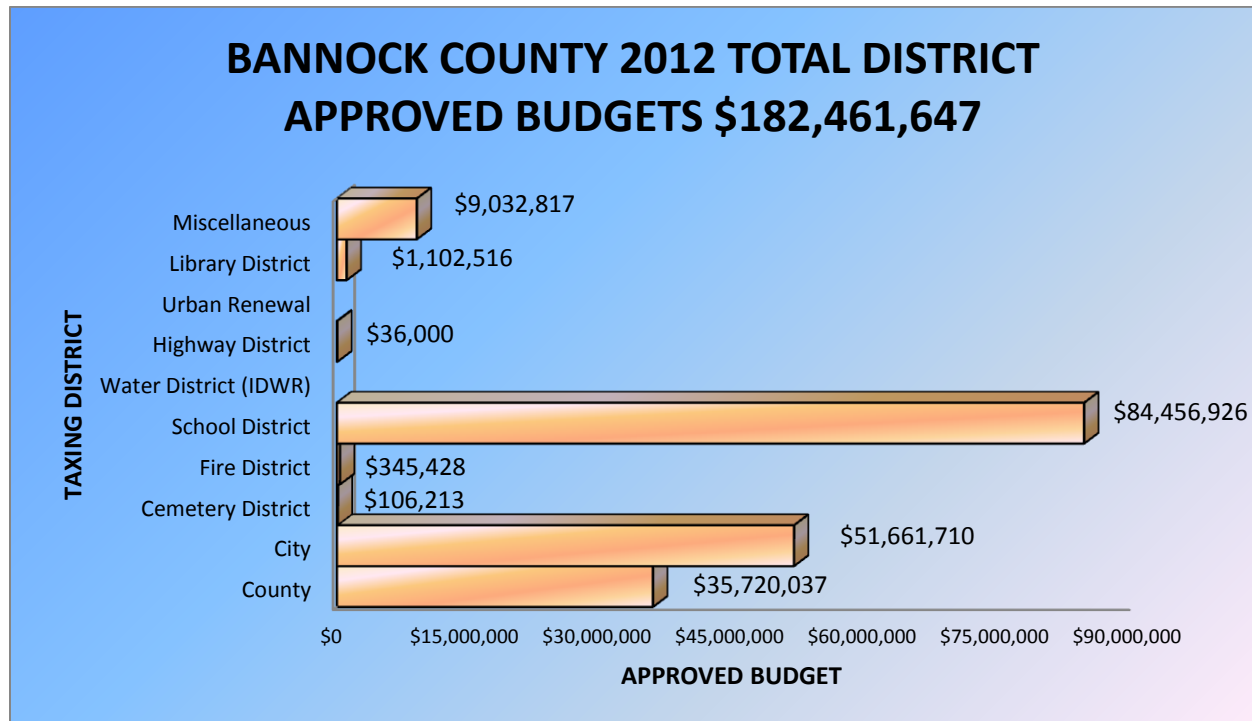
APPENDIX C: LARGEST COUNTY DISTRICT BUDGETS



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